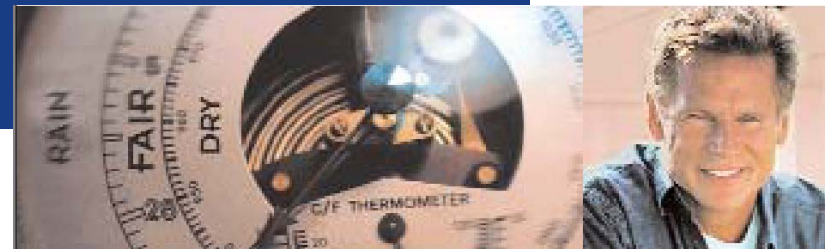


# UBS (Lux) Key Selection Sicav – Global Allocation

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Monthly Update for March 2007



**funds europe**  
**awards**  
**2005**

REWARDING EXCELLENCE IN BUSINESS

European Fund Launch of the year  
Global Allocation Fund

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SECTION 1

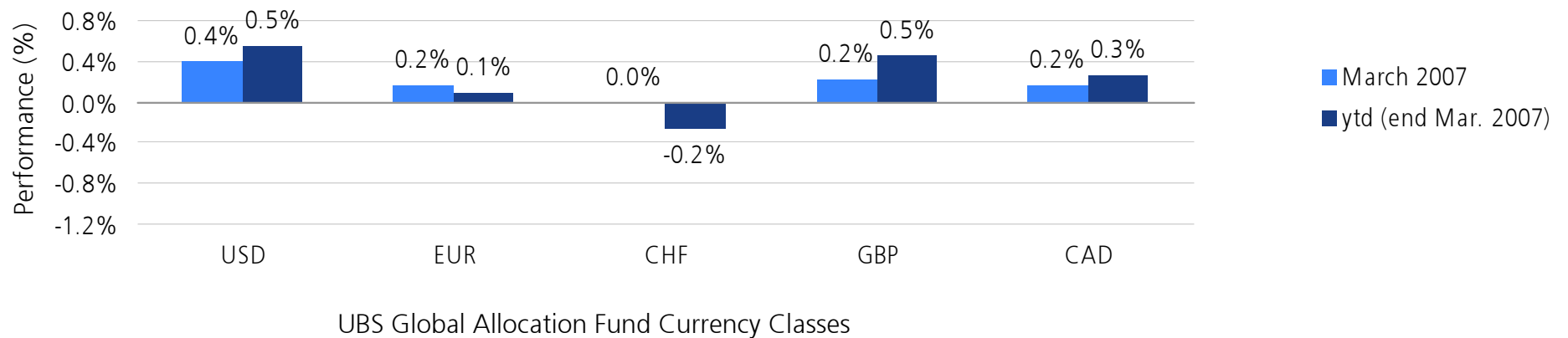
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# Summary

# Summary

## Performance March 2007 and year-to-date

### UBS Global Allocation Funds



Past performance is no guarantee of future trends. The performance shown does not take account of any commissions and costs charged when subscribing and redeeming units.  
Source: UBS Global Asset Management; data as at 30 March 2007

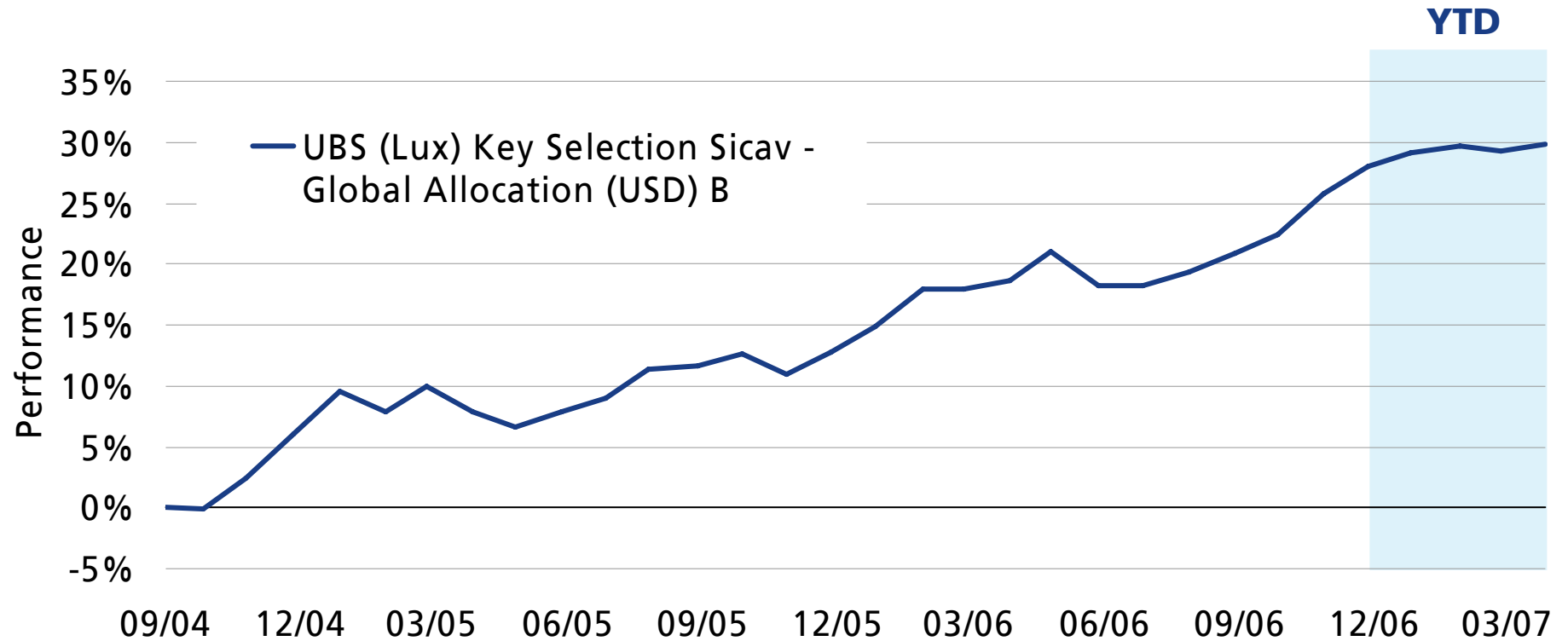
SECTION 2

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# Performance

# Performance

## UBS (Lux) Key Selection Sicav – Global Allocation (USD) B



	March	Year-to-date	1 year	Since launch	Launch date
<b>UBS Global Allocation (USD)</b>	0.4%	0.5%	9.4%	29.8%	24 Sep '04

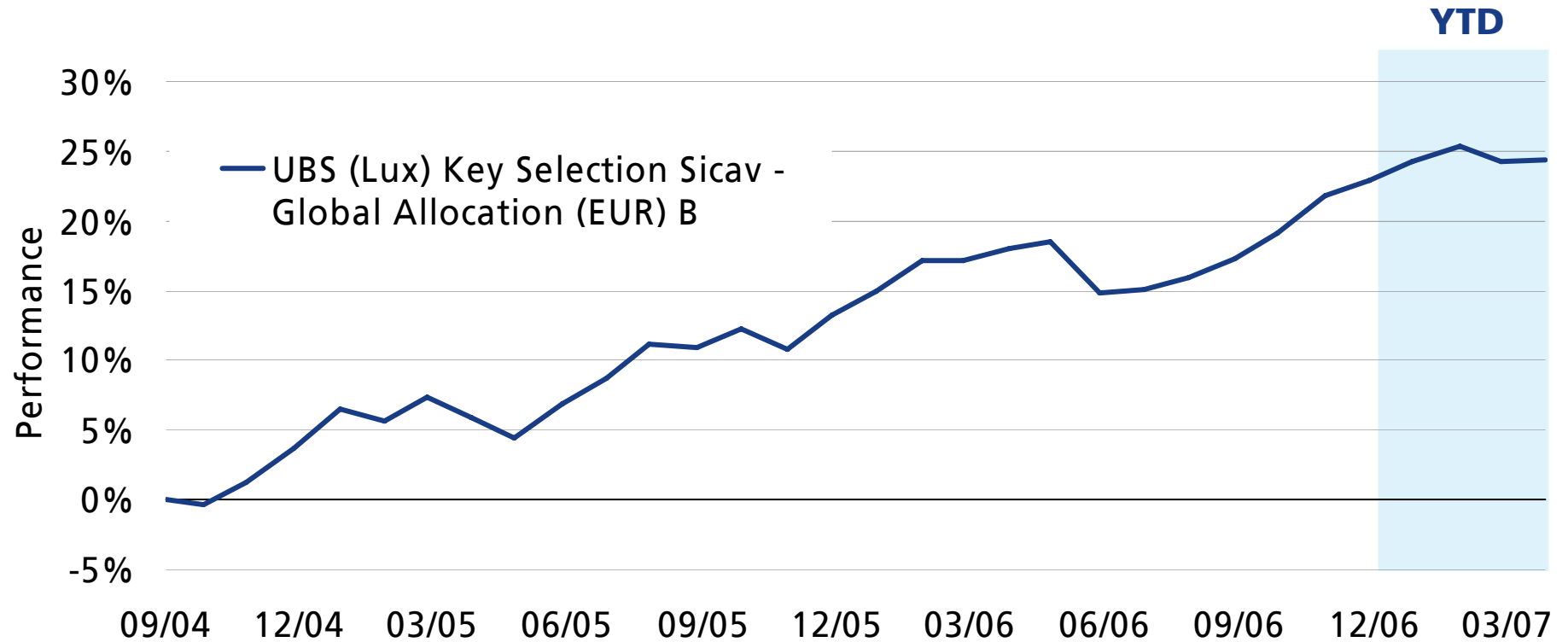
Past performance is no guarantee of future trends. The performance shown does not take account of any commissions and costs charged when subscribing and redeeming units.

Source: UBS Global Asset Management

Data: as at 30 March 2007

# Performance

## UBS (Lux) Key Selection Sicav – Global Allocation (EUR) B



	March	Year-to-date	1 year	Since launch	Launch date
<b>UBS Global Allocation (EUR)</b>	0.2%	0.1%	5.4%	24.4%	24 Sep '04

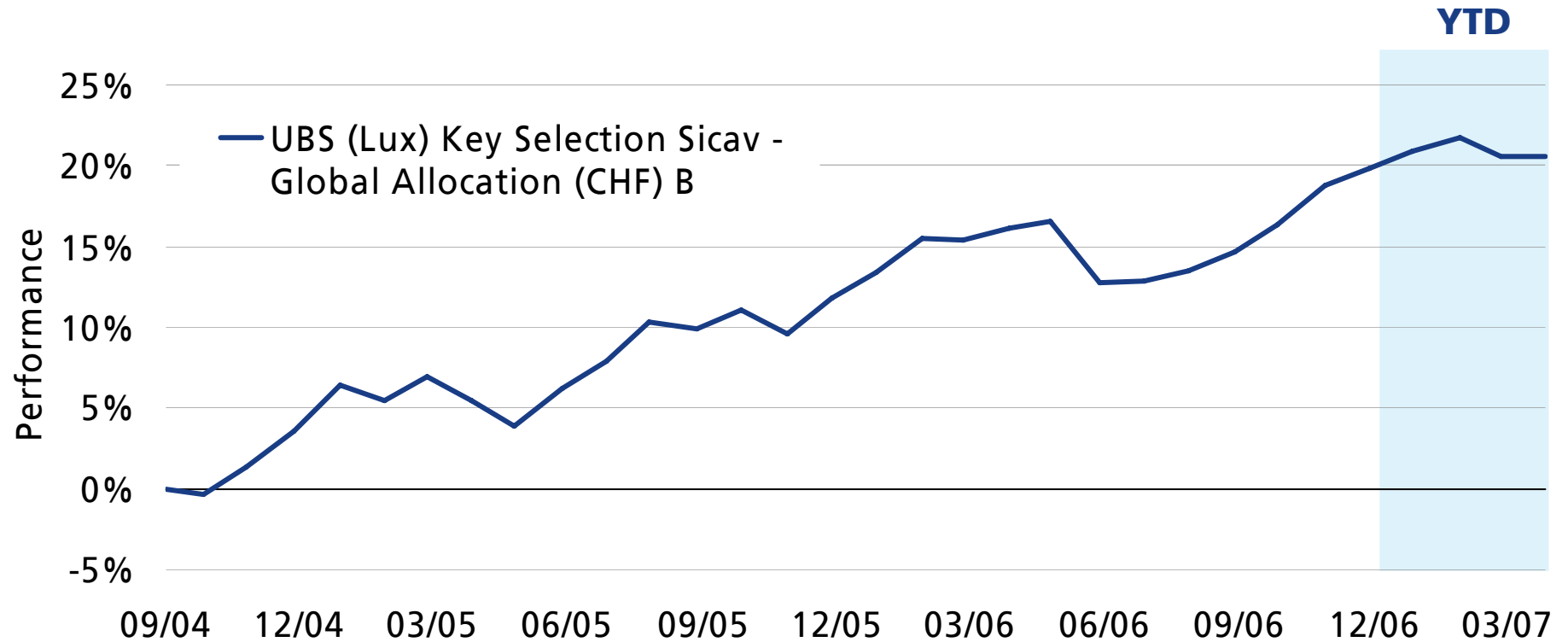
Past performance is no guarantee of future trends. The performance shown does not take account of any commissions and costs charged when subscribing and redeeming units.

Source: UBS Global Asset Management

Data: as at 30 March 2007

# Performance

## UBS (Lux) Key Selection Sicav – Global Allocation (CHF) B



	March	Year-to-date	1 year	Since launch	Launch date
<b>UBS Global Allocation (CHF)</b>	0.0%	-0.2%	3.9%	20.6%	24 Sep '04

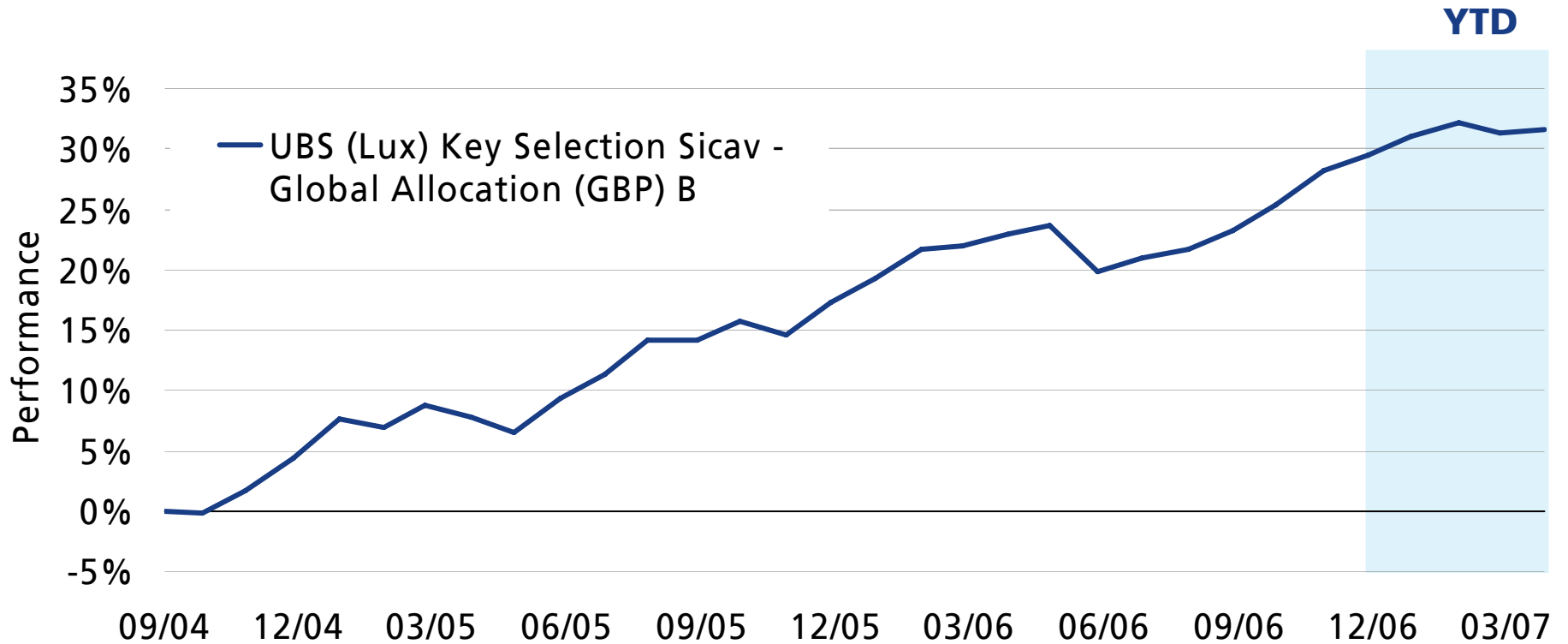
Past performance is no guarantee of future trends. The performance shown does not take account of any commissions and costs charged when subscribing and redeeming units.

Source: UBS Global Asset Management

Data: as at 30 March 2007

# Performance

## UBS (Lux) Key Selection Sicav – Global Allocation (GBP) B



	March	Year-to-date	1 year	Since launch	Launch date
<b>UBS Global Allocation (GBP)</b>	0.2%	0.5%	7.0%	31.6%	24 Sep '04

Past performance is no guarantee of future trends. The performance shown does not take account of any commissions and costs charged when subscribing and redeeming units.

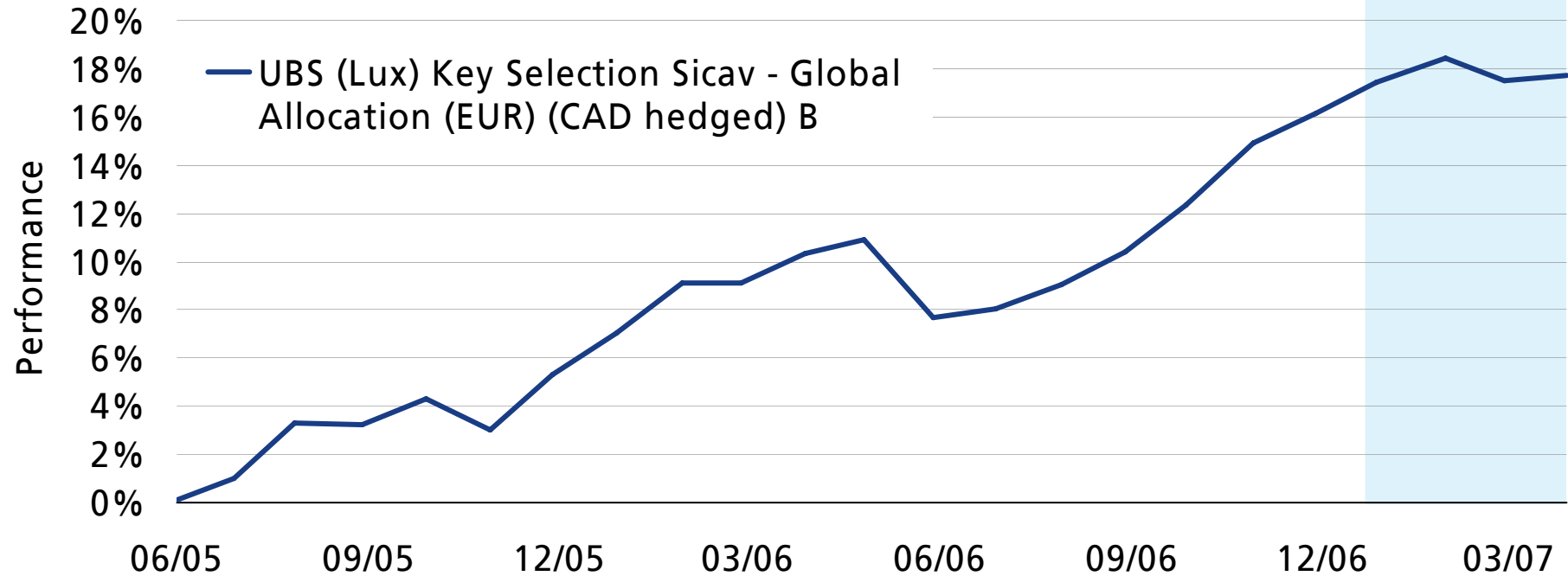
Source: UBS Global Asset Management

Data: as at 30 March 2007

# Performance

## UBS (Lux) Key Selection Sicav – Global Allocation (EUR) (CAD hedged) B

YTD



	March	Year-to-date	1 year	Since launch	Launch date
<b>UBS Global Allocation (CAD)</b>	0.2%	0.3%	6.7%	17.7%	3 Jun '05

Past performance is no guarantee of future trends. The performance shown does not take account of any commissions and costs charged when subscribing and redeeming units.

Source: UBS Global Asset Management

Data: as at 30 March 2007

SECTION 3

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# Review

# Review

## UBS Global Allocation Fund

### Contributors

- ◆ **Equities:** Globally, equity markets recovered surprisingly quickly despite bad news from the US about the sub-prime mortgage sector. Reasons are continued solid corporate profit growth and lively merger & acquisition activity.
- ◆ **Bonds:** As countermovement to the equities recovery, bonds were under pressure as portfolios were reshuffled in favour of equities. In addition, the 10-year government bond yields rose up to 0.2%. Japan was the best performing, UK the worst performing market.
- ◆ **Currencies:** the US dollar fell against all major currencies. The biggest losses were reported versus the THB, AUD and the CAD.

### Main decisions

- ◆ No major strategy changes in March
  - We sold EUR versus CHF in March
- ◆ Performance attribution:
  - pure asset allocation was positive as equities outperformed bonds
  - market allocation was somewhat negative
  - From an absolute perspective, bonds showed negative returns in March, from a relative perspective (i.e. versus benchmark) our short duration stance added value in March.
  - security selection was negative
  - the currency strategy was marginally negative. Our short positions in AUD, GBP and CAD hurt performance while our long positions in JPY, CHF and SEK added value.
- ◆ Current currency strategy:
  - Overweight in JPY (+7%), CHF (+6%), SEK (+5%), SGD (+1%)
  - Underweight in EUR (-11%), GBP (-5%), CAD (-2%), AUD (-1%)

Source: UBS Global Asset Management  
Data: as of end March 2007

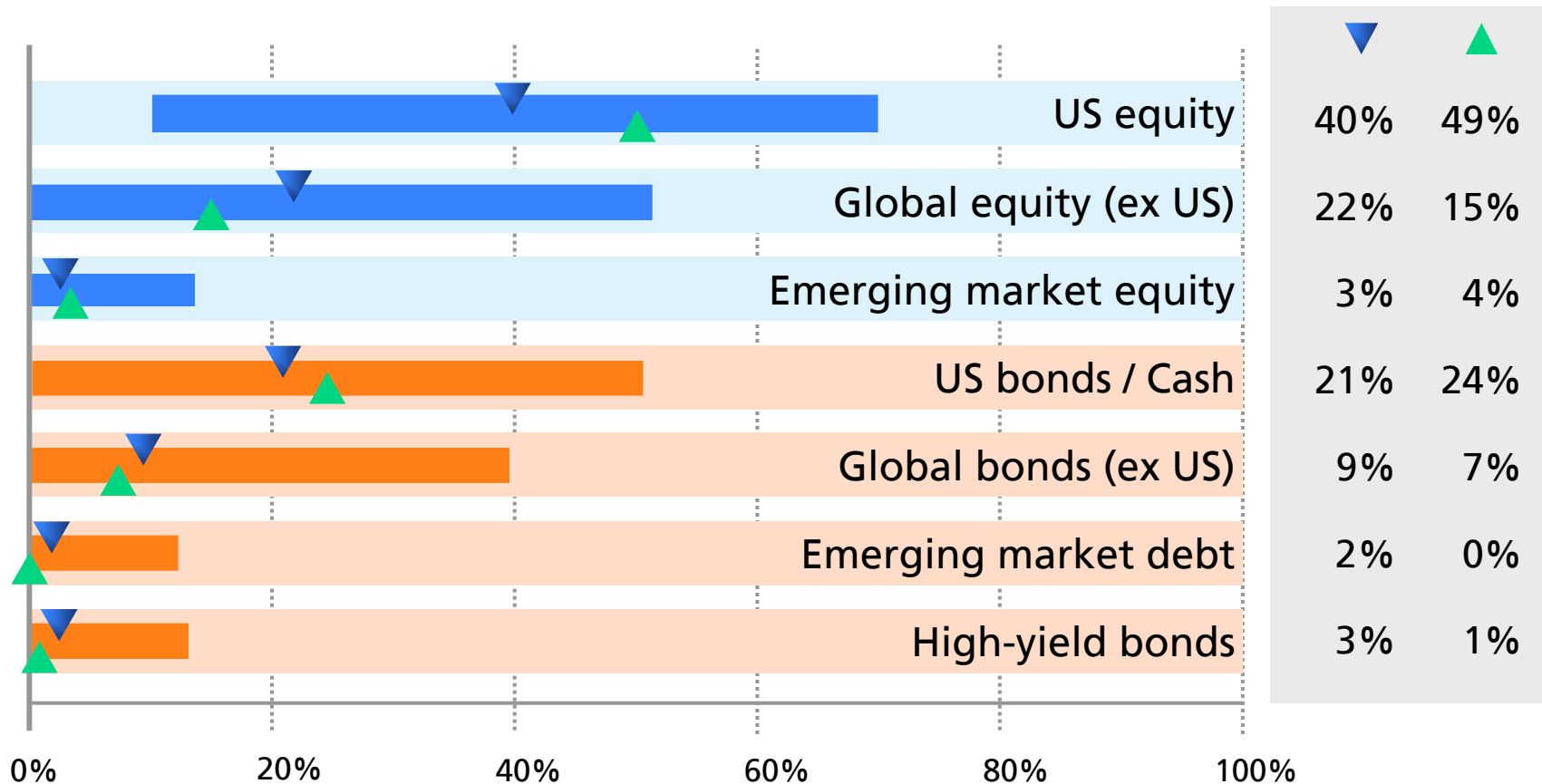
SECTION 4

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# Portfolio Structure

# Portfolio structure - UBS Global Allocation Fund

## Broad ranges for asset allocation



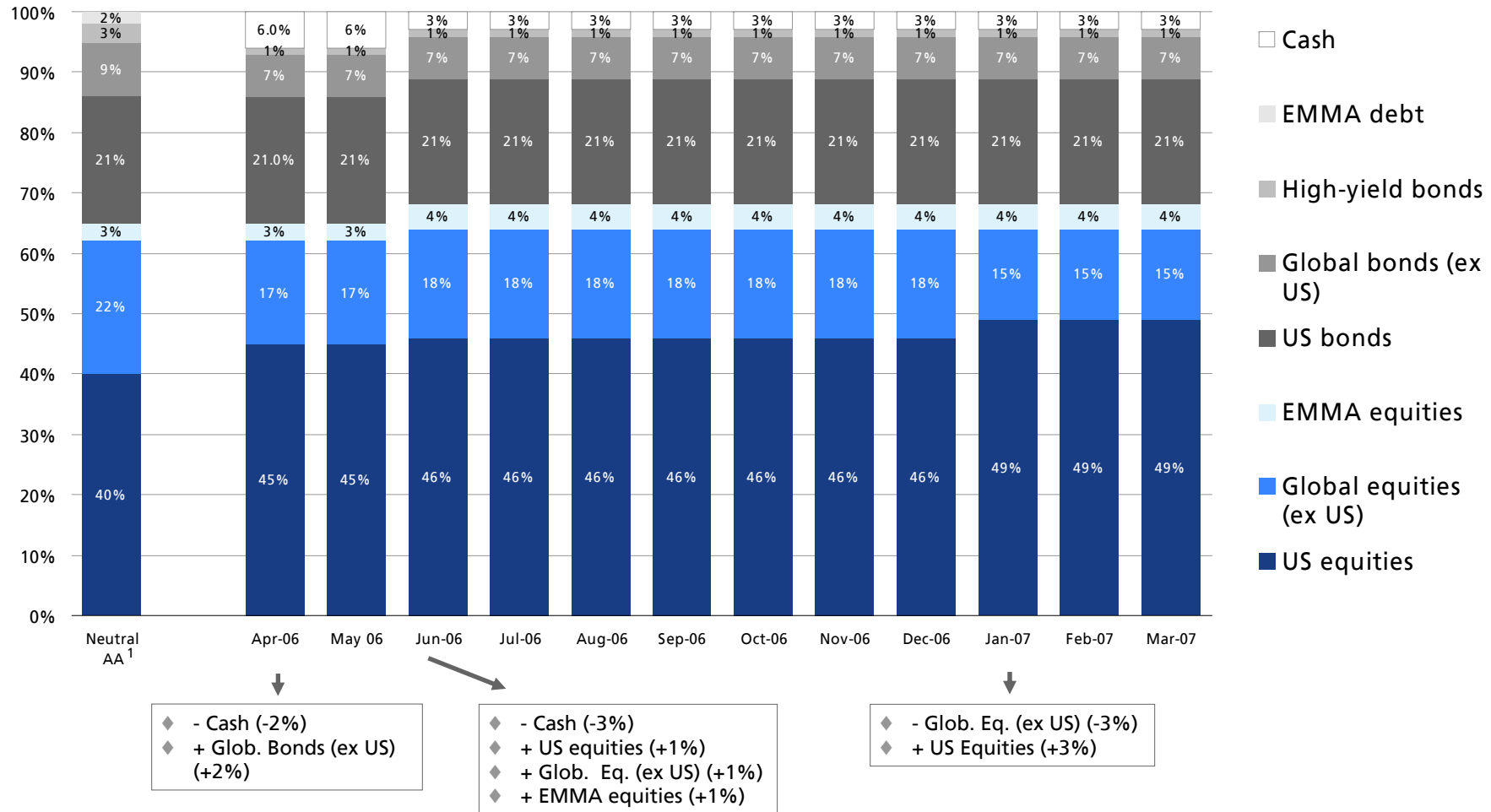
▼ **Neutral** weights (strategic asset allocation)  
 Total equity quota: 65%; total bond quota: 35%

▲ **Current** weights (tactical asset allocation) as at 30 March 2007  
 Total equity quota: 68%; total bond quota: 29%; cash: 3%

Source: UBS Global Asset Management  
 Data: as at 30 March 2007

# Portfolio structure - UBS Global Allocation Fund

## Changes in asset allocation at a glance



<sup>1</sup> Neutral AA = Neutral Asset Allocation  
Data as at 30 March 2007

SECTION 5

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# Outlook

# Outlook

## Facts at a glance

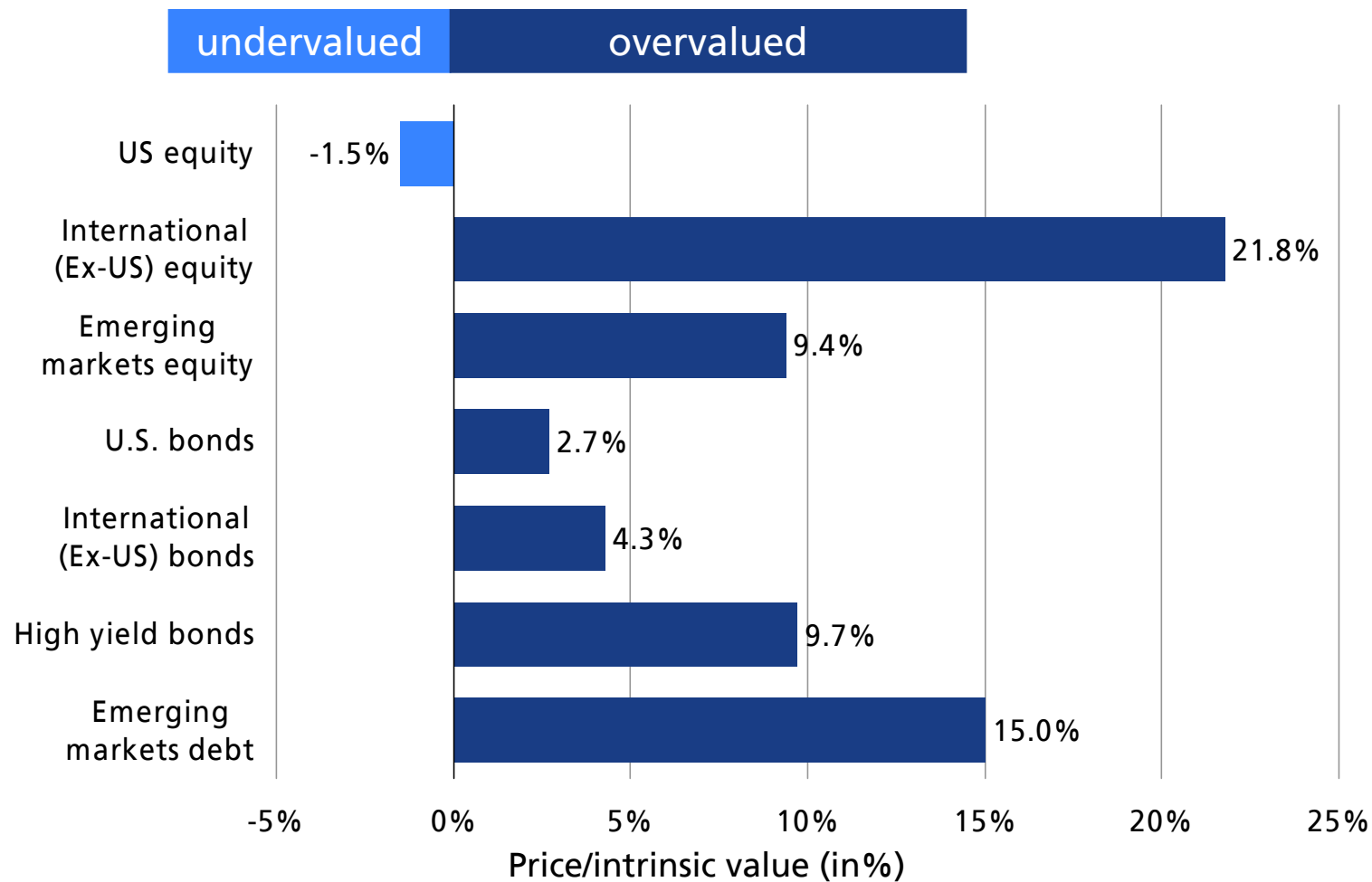
### Outlook

- ◆ Global economic performance is slowing but steady, with growth at trend levels on an aggregate basis and inflation low to moderate.
- ◆ The US economy has slowed, particularly the housing sector. The Federal Reserve is perceived as being close to a “neutral” level of interest rates, and fed funds futures have priced in easing during 2007 in response to anticipated weaker economic data.
- ◆ The eurozone is expected to grow at a solid pace during 2007, while experiencing tepid inflation.
- ◆ Japan’s economy continues to expand, with the composition of GDP growth continuing its favourable trend towards domestic demand and business spending. Shorter-term indicators have turned somewhat weaker. The Bank of Japan has begun a tightening cycle, but the length and magnitude of tightening remain to be seen.
- ◆ We see equities as fairly valued (with US equities, UK equities and Asian emerging market equities slightly undervalued) and bonds as somewhat overvalued. For this reason we are underweight there.
- ◆ Cash (at the expense of bonds) remains an alternative, given the U-shaped US yield curve

Source: UBS Global Asset Management  
Data: as at 30 March 2007

# Outlook - UBS Global Allocation Fund

## Valuation of the seven asset classes



Source: UBS Global Asset Management  
Data: as at 30 March 2007

SECTION 6

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# Other Information

# Performance differences

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## Differences between the performance of sub-funds

UBS Global Allocation Fund (USD) vs. UBS Global Allocation Fund (EUR/CHF/GBP/CAD)

- USD sub-fund is **unhedged** while all other currency sub-funds are extensively **hedged**
  - The USD fell against all major currencies in March. The biggest losses were reported vs. the THB, AUD and CAD. This had, on an overall basis, a positive impact on the performance of foreign currency investments in the USD sub-fund.
  - While the USD sub-fund somewhat benefited from the appreciation of its unhedged foreign currency investments, the CHF/EUR/GBP/CAD/SGD sub-funds were not affected by the USD movements as they are extensively hedged.

UBS Global Allocation Fund (EUR/CHF/GBP/CAD/SGD)

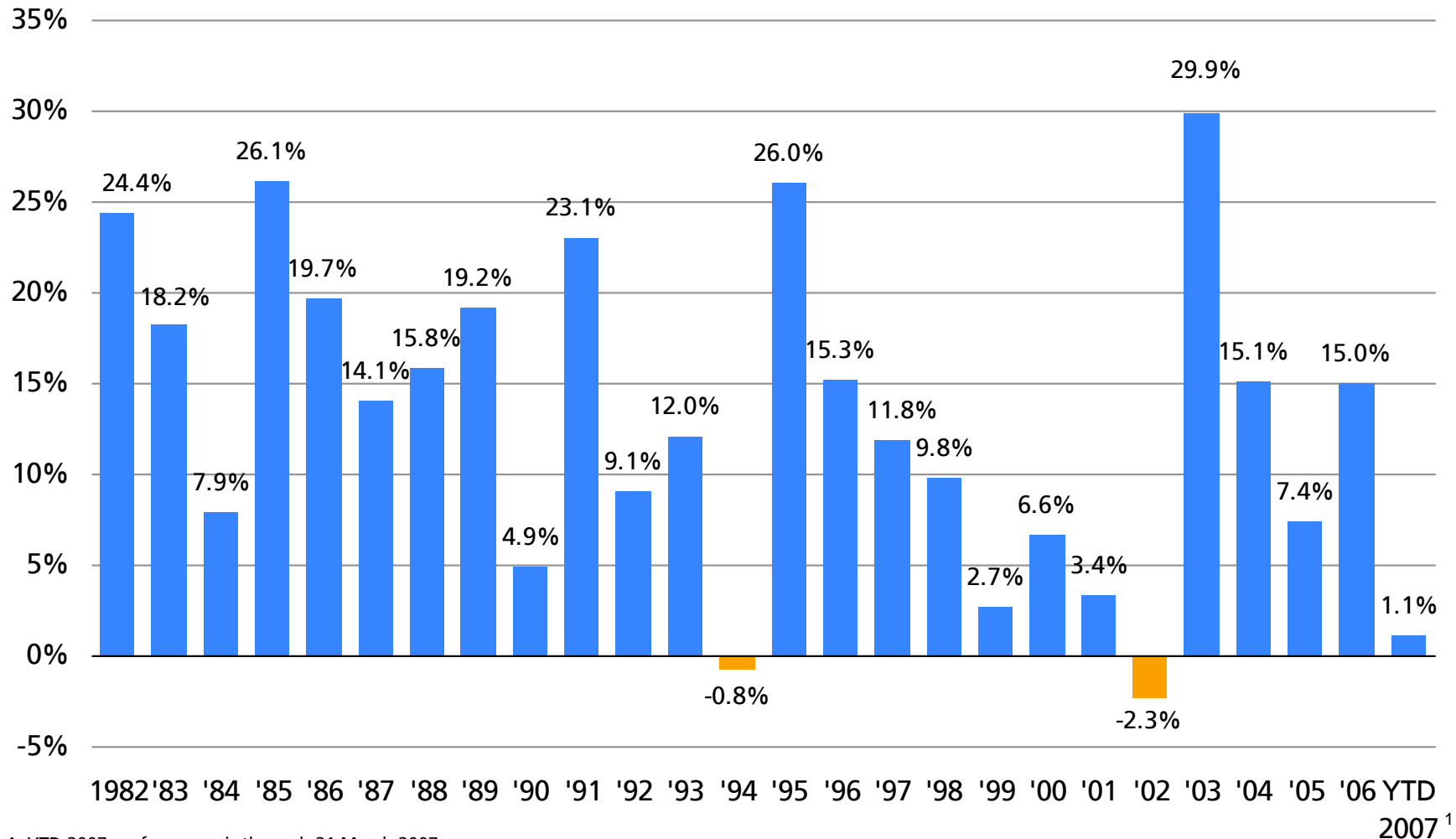
- **all** above mentioned sub-funds are extensively **hedged**. Performance differences between the sub-funds of each fund are therefore mainly **driven by differing money market rates in the various reference currencies**.
  - The total return for each sub-fund equals the cash return plus the excess return.
  - While excess returns for each sub-fund are similar, money-market rates in the various currencies differ.

Source: UBS Global Asset Management  
Data: as of 30 March 2007

# Globally integrated portfolio: Up 23 out of 25 years

## Consistent value added

**Global Securities Portfolio Composite calendar year returns**



<sup>1</sup> YTD 2007 performance is through 31 March 2007.

**Past performance is no guarantee of future results.** Performance figures are gross of fees. Please see attached disclosure information.

# Disclaimer

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